

Washington State Auditor's Office

# Audit Report

Audit Services

---

Report No. 57831

**CITY OF EVERETT**

Snohomish County, Washington

January 1, 1995 Through December 31, 1995

Issue Date: November 8, 1996

---

## TABLE OF CONTENTS

	Page
<b>Management Section</b>	
Independent Auditor's Report On Compliance With Laws And Regulations At The Financial Statement Level (Plus Additional State Compliance Requirements Per RCW 43.09.260) . . . . .	M-1
Independent Auditor's Report On Internal Control Structure At The Financial Statement Level . . . . .	M-3
Schedule Of Findings:	
1. The City Of Everett Should Regulate Firefighter Vacation Leave In Accordance With The Union Contract . . . . .	M-5
2. City Officials Are Prohibited From Using City Credit Cards For Personal Transactions And A City Credit Card Should Never Be Used For Cash Advances . . . . .	M-6
3. The City Of Everett Police Department Should Track The Use And Disposition Of All Traffic Citations Issued By Its Officers . . . . .	M-7
<b>Financial Section</b>	
Independent Auditor's Report On Financial Statements And Additional Information . . . . .	F-1
General-Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types And Account Groups - 1995 . . . .	F-4
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances - All Governmental Fund Types And Expendable Trust Funds - 1995 . . . . .	F-8
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances - Budget And Actual - General, Special Revenue, And Debt Service Funds - 1995 . . . . .	F-10
Combined Statement Of Revenues, Expenses And Changes In Retained Earnings/Fund Balances - All Proprietary Fund Types And Pension Trust Funds - 1995 . . . . .	F-12
Combined Statement Of Cash Flows - All Proprietary Fund Types - 1995 . . .	F-13
Notes To Financial Statements . . . . .	F-15
Additional Information:	
Schedule Of State Financial Assistance - 1995 . . . . .	F-54
<b>Single Audit Section</b>	
Independent Auditor's Report On Supplementary Information Schedule Of Federal Financial Assistance . . . . .	S-1
Schedule Of Federal Financial Assistance - 1995 . . . . .	S-2
Notes To Schedule Of Federal Financial Assistance . . . . .	S-4
Independent Auditor's Report On Compliance With The General Requirements Applicable To Federal Financial Assistance Programs . . . . .	S-5
Independent Auditor's Report On Compliance With Specific Requirements Applicable To Major Federal Financial Assistance Programs . . . . .	S-7
Independent Auditor's Report On Internal Control Structure Used In Administering Federal Financial Assistance Programs . . . . .	S-9
Status Of Prior Findings . . . . .	S-12
<b>Addendum</b>	
Directory Of Officials . . . . .	A-1

**CITY OF EVERETT**  
**Snohomish County, Washington**  
**January 1, 1995 Through December 31, 1995**

---

**Independent Auditor's Report On Compliance With Laws And Regulations  
At The Financial Statement Level (Plus Additional State Compliance  
Requirements Per RCW 43.09.260)**

---

Mayor  
City of Everett  
Everett, Washington

We have audited the general-purpose financial statements, as listed in the table of contents, of the City of Everett, Snohomish County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated June 21, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the City of Everett is the responsibility of the city's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the city's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the city complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the city's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the city and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted instances of noncompliance immaterial to the financial statements which are identified in the Schedule of Findings accompanying this report.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

June 21, 1996

CITY OF EVERETT  
Snohomish County, Washington  
January 1, 1995 Through December 31, 1995

---

**Independent Auditor's Report On Internal Control Structure  
At The Financial Statement Level**

---

Mayor  
City of Everett  
Everett, Washington

We have audited the general-purpose financial statements of the City of Everett, Snohomish County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated June 21, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the city is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the city, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters involving the internal

control structure and its operation that we consider to be reportable conditions are included in the Schedule of Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the Schedule of Findings is a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the city in a separate letter dated August 27, 1996.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

June 21, 1996

CITY OF EVERETT  
Snohomish County, Washington  
January 1, 1995 Through December 31, 1995

---

Schedule Of Findings

---

1. The City Of Everett Should Regulate Firefighter Vacation Leave In Accordance With The Union Contract

During our 1995 audit, we again noted that management is allowing firefighters to carry over vacation leave in excess of the amount allowed by the City of Everett's contract with the Everett Firefighters and management's intent. In 1995, seven firefighters accrued 492 vacation hours more than allowed.

The city's contract with the Firefighters Union for the period January 1, 1994, through December 31, 1995, states in Article 15:

No individual shall be allowed to accrue (carry over) in excess of 192 hours of vacation unless under special circumstances the mayor authorizes additional accrual.

Furthermore, we have been advised by city management that the intent of the contract, although not stated, was to allow firefighters to accrue up to 384 hours, as is the city's policy with other city employees. Accordingly, we have limited our exceptions to those seven firefighters exceeding the 384 hour cap.

We saw no evidence in the city's records to indicate that the mayor had approved vacation accumulations in excess of the limit.

The excess vacation leave represents a liability to the city beyond the vacation hours allowed by contract. Assuming an average firefighter wage of \$25/hour, the 492 excess hours accrued during 1995 represent an additional \$12,300 liability to the city.

We again recommend the mayor authorize, in writing, all excess vacation carried over due to special circumstances. We further recommend any excess vacation not authorized by the mayor be forfeited.

Auditee's Response

*City of Everett's Finance Director, Mike Bailey, responded to the preliminary draft of our finding in a letter dated October 9, 1996.*

*The City and IAFF Local No. 46 have been in contract negotiations for 16 months. Consistent with the point raised in the audit report, clarification of the contract language remains and is a top priority for the city in bargaining.*

2. City Officials Are Prohibited From Using City Credit Cards For Personal Transactions And A City Credit Card Should Never Be Used For Cash Advances

Contrary to the city's policy and the statutes, a council member made ten cash withdrawals using a City of Everett's credit card. These withdrawals occurred on three separate days during the period of December 1995 to February 1996. Six of the cash advances occurred while on city business. The other four cash advances occurred while the council member was on personal vacation. None of the cash advances were for business expenses. The advances and related fees totaled \$5,168.91.

By using the city's credit card for personal use the council member violated the city expense travel policy and credit card policy which states in part:

. . . The credit cards are to be used for approved travel costs. Travel costs are defined as reasonable and necessary expenses incurred while conducting City business . . . .

Furthermore RCW 39.58.180 (6) states:

Cash advances on credit cards are prohibited.

RCW 42.24.115 (1) states in part:

Any municipal corporation may provide for the issuance of charge cards to officers for the sole purpose of covering expenses incident to authorized travel.

The first incident was discovered by the council member when she was reviewing her expenditures after a business trip. The next two incidents were caught by the city clerk and the city council president. The city clerk is responsible for reviewing all city travel expenditures and the council president is responsible for reviewing all council related travel expenditures. It was during this review that the misuse of the credit card was discovered. Management determined that council member would need to pay the city for the personal charges. The council member paid the city before the visa bill was due and turned in her credit card in March 1996.

We recommend that city credit cards be used for their intended purpose as defined in the city's travel and credit card policy. We further recommend that cash advances be prohibited on a city credit card.

Auditee's Response

*City of Everett's Finance Director, Mike Bailey, responded to the preliminary draft of our finding in a letter dated October 9, 1996.*

*The City wishes to thank the State Auditor's Office for their assistance in working though this matter. The City will continue to monitor the use of credit cards in a timely manner. The City will continue to utilize procedures and practices that provide the necessary internal controls.*



3. The City Of Everett Police Department Should Track The Use And Disposition Of All Traffic Citations Issued By Its Officers

City of Everett Police Department officials are not tracking the use and disposition of traffic citations in a timely manner. Out of 11 traffic citations selected for testing, city personnel were unable to give us the disposition of two traffic citations. Furthermore, an officer brought a traffic citation, which had been voided over a year ago, into the police department to satisfy our testing. Police department officials had issued another citation book to this officer despite the missing traffic citations. It was evident from our review that city officials are not auditing traffic citations to determine that they are all accounted for properly.

RCW 46.64.010 states in part:

(The chief administrative officer of every traffic enforcement agency) shall also maintain or cause to be maintained in connection with every traffic citation issued by an officer under his supervision a record of the disposition of the charge . . . .

This section goes on to say:

Every record of traffic citations required in this section shall be audited monthly by the appropriate fiscal officer of the government agency to which the traffic enforcement agency is responsible.

According to the police department personnel, there is not enough support staff to adequately review and follow up on all traffic citations. The lack of tracking these citations has been a reoccurring problem for the police department over the past few years.

Failure to track the use and disposition of traffic citations increases the chance that they will be misused for fraudulent purposes.

We recommend police department officials install procedures whereby they record the use and disposition of each traffic citation. They should update these records monthly. Officials should audit this record to determine that all traffic citations have been accounted for properly.

Auditee's Response

*City of Everett's Finance Director, Mike Bailey, responded to the preliminary draft of our finding in a letter dated October 9, 1996.*

*The police department is in the process of modifying existing procedures and developing new procedures to enable them to account for all citations.*

Auditor's Concluding Remarks

We appreciate the officials' commitments to resolve the issues noted in our findings. Based on the responses, the recommendations are being addressed and we will review these areas in our next audit of the city.

CITY OF EVERETT  
Snohomish County, Washington  
January 1, 1995 Through December 31, 1995

---

**Independent Auditor's Report On Financial Statements And Additional  
Information**

---

Mayor  
City of Everett  
Everett, Washington

We have audited the accompanying general-purpose financial statements of the City of Everett, Snohomish County, Washington, as of and for the fiscal year ended December 31, 1995, as listed in the table of contents. These financial statements are the responsibility of the city's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Everett, at December 31, 1995, and the results of its operations and cash flows of its proprietary fund types for the fiscal year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of State Financial Assistance listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 21, 1996, on our consideration of the city's internal control structure and a report dated June 21, 1996, on its compliance with laws and regulations.

Brian Sonntag  
State Auditor

June 21, 1996

CITY OF EVERETT  
Snohomish County, Washington  
January 1, 1995 Through December 31, 1995

---

**Independent Auditor's Report On Supplementary Information  
Schedule Of Federal Financial Assistance**

---

Mayor  
City of Everett  
Everett, Washington

We have audited the general-purpose financial statements of the City of Everett, Snohomish County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated June 21, 1996. These financial statements are the responsibility of the city's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of the City of Everett taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag  
State Auditor

June 21, 1996

**CITY OF EVERETT**  
**Snohomish County, Washington**  
**January 1, 1995 Through December 31, 1995**

---

**Independent Auditor's Report On Compliance With The General Requirements  
Applicable To Federal Financial Assistance Programs**

---

Mayor  
City of Everett  
Everett, Washington

We have audited the general-purpose financial statements of the City of Everett, Snohomish County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated June 21, 1996.

We have applied procedures to test the city's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995:

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements, including subrecipient monitoring

The following requirement was determined to be not applicable to its federal financial assistance programs:

- Relocation assistance and real property acquisition

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the city's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the city had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

August 27, 1996

**CITY OF EVERETT**  
**Snohomish County, Washington**  
**January 1, 1995 Through December 31, 1995**

---

**Independent Auditor's Report On Compliance With Specific Requirements**  
**Applicable To Major Federal Financial Assistance Programs**

---

Mayor  
City of Everett  
Everett, Washington

We have audited the general-purpose financial statements of the City of Everett, Snohomish County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated June 21, 1996.

We also have audited the city's compliance with the requirements applicable to its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995. Those requirements include:

- types of services allowed or unallowed
- eligibility
- matching, level of effort, or earmarking
- reporting
- special tests and provisions related to payment vouchers, management of right-of-way, transfer of right-of-way, cost extensions, materials sampling and testing, and recovery of funds (CFDA 20.205); request for release of funds and environmental certification, environmental review of projects, program income, and written agreements with subrecipients (CFDA 14.218); environmental review of record rehabilitation, program income, and evidence of outreach to racial and ethnic applicants (CFDA 14.239) as described in the OMB *Compliance Supplement for Single Audits of State and Local Governments*, *Catalog of Federal Domestic Assistance*, and grant agreements
- claims for advances and reimbursements
- and amounts claimed or used for matching

The management of the city is responsible for the city's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the city's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the City of Everett complied, in all material respects, with the requirements referred to in the second paragraph of this report that are applicable to its major federal financial assistance programs for the fiscal year ended December 31, 1995.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

August 27, 1996



CITY OF EVERETT  
Snohomish County, Washington  
January 1, 1995 Through December 31, 1995

---

**Independent Auditor's Report On Internal Control Structure Used In  
Administering Federal Financial Assistance Programs**

---

Mayor  
City of Everett  
Everett, Washington

We have audited the general-purpose financial statements of the City of Everett, Snohomish County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated June 21, 1996. We have also audited their compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated August 27, 1996.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the city complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit, we considered the city's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance with requirements applicable to major federal assistance programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated June 21, 1996.

The management of the city is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- . Accounting Controls
  - Cash receipts
  - Cash disbursements
  - Receivables
  - Accounts payable
  - Purchasing and receiving
  - Payroll
  - Inventory control
  - Property, plant, and equipment
  - General ledger
- . General Requirements
  - Political activity
  - Davis-Bacon Act
  - Civil rights
  - Cash management
  - Federal financial reports
  - Allowable costs/cost principles
  - Drug-Free Workplace Act
  - Administrative requirements, including subrecipient monitoring
- . Specific Requirements
  - Types of services
  - Eligibility
  - Matching, level of effort, earmarking
  - Reporting
  - Special requirements
- . Claims For Advances And Reimbursements
- . Amounts Claimed Or Used For Matching

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure category was determined to be insignificant to federal financial assistance programs:

- . General Requirements
  - Relocation assistance and real property acquisition

During the fiscal year ended December 31, 1995, the city expended 85 percent of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the city's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

We noted certain matters involving the internal control structure and its operation that we have reported to the management of the city in a separate letter dated August 27, 1996.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

August 27, 1996

CITY OF EVERETT  
Snohomish County, Washington  
January 1, 1995 Through December 31, 1995

---

Status Of Prior Findings

---

The findings contained in the prior audit report were resolved as follows:

1.     The City Should Spend Hotel/Motel Tax Moneys For Items By State Law  
  
       *Resolution: This has been resolved.*
  
2.     The City Should Improve Controls Over Cash Receipts  
  
       *Resolution: This has been resolved.*
  
3.     Controls Over Utility Billings Proceeds Need Improvements  
  
       *Resolution: This has been resolved.*
  
4.     The City Should Clarify The Terms Of Its Union Contracts  
  
       *Resolution: The firefighter's contract is currently in interest arbitration. See Finding 1.*
  
5.     The City Should Improve Controls At The Municipal Court  
  
       *Resolution: This has been resolved.*